



## *The Italian 2017 Financial Bill*

### **THE ATTRACTION OF ITALY**

**The new «New Italian Tax Resident» rule**

**Investor Visa**

**Tax Breaks for qualified «inpatriate workers»**

**Belluzzo&Partners**

## ***SUMMARY***

- A) THE NEW «NEW ITALIAN TAX RESIDENT» RULE*
- B) THE «GOLDEN INVESTOR VISA» RULE*
- C) TAX BREAKS FOR QUALIFIED «INPATRIATES»*



***A) THE «ITALIAN NEW RESIDENT» RULE***

- Yearly levy of €100k as “Substitutive Tax”: a lump sum on foreign income and capital gains (optional from fiscal year 2017). Domestic income and gains follow general rules.
- For foreign assets the law sets an extended exclusion for IHT, Gift Tax, Wealth taxes and the so called “*fiscal monitoring*” (RW). Domestic Assets are taxed ordinarily (e.g. IHT 4% for ascendants and descendants).
- With this yearly option, the New Resident tax base is reduced to Italian domestic source income and gains.
- Applicable to foreign and Italian citizen.
- Applicable only once, meaning that if you exit you cannot rejoin the new regime

- New **art. 24-bis** of the Italian Consolidated Tax Code: taxation of foreign income on lump sum basis.
- **§ 1. Individuals transferring their tax residence to Italy according to art. 2, par. 2, could opt to be subject to a lump sum tax, [...], on any foreign income and gains as described in art. 165, par. 2 [...].**
- **§ 5. Individuals as described in § 1, could opt for the disapplication of the lump sum tax on foreign income realized in certain foreign countries [...]. In this case, this foreign income will be subject to the ordinary taxation with the consequent applicable tax credit on foreign income.**
- §155 of the the 2017 Financial Bill: *[...] a non-regulatory decree of the Foreign Minister, as jointly agreed with the Minister of the Interior, will identify the facilitations in dealing with applications for visa and residency permit applicable to those transferring their residence to Italy according to art. 24-bis of the Italian Income Tax Code [...].*
- §. 158 of the 2017 Financial Bill: **with reference to succession and gifts whereby the de cuius/donor is subject to the “new Ita res” tax regime ex. art. 24-bis of the Italian Consolidated Tax Code, [...] inheritance tax and gift tax, according to the Consolidated Tax Code on Inheritance and Gift is due only on asset and rights existing in Italy at the date of the succession or the gift .**

**The “New Ita Res” regime is open to all individuals, including Italian citizens! It is accessible for individuals moving their tax residence to Italy according to general Italian tax laws, with the following conditions:**

- individuals must have not been tax resident in Italy for at least 9 out of the 10 years prior to the first year of effect of the option (the so called **“9 out of 10” rule**).
- Individuals are by law required to **exercise the option after obtaining a positive ruling from the Tax Administration, which is set to give an answer within 120 days or the result is positive.** On March 8<sup>th</sup> the Director of the Italian Tax Office delivered a document which is giving a milder approach about formalities.
- «New Ita Res» regime is valid **for a maximum period of 15 years.**
- “New Ita Res” Applicant **can opt out at any time, but only once.**

## «NEW ITA RES» REGIME

- An **annual lump sum of €100.000** to be paid on foreign income and capital gains.
- Exemption for fiscal monitoring (RW) and Italian wealth taxes (Ivafe and Ivie) on foreign assets.
- Exemption for Inheritance and Gift Tax in relation to foreign assets.
- An annual lump sum of €25.000 (1/4 of the ordinary sum) per **other member of the family entering the new regime**. The “New Ita Res” regime is open to all individuals, including Italian citizens!
- A specific anti abuse rule excluded from the new regime for capital gains from foreign qualified participations realized during the first 5 years of the new regime.
- Ordinary taxation for Italian sourced income and capital gain, including wealth taxes (eg. Stamp duty on bankable assets or IMU real estate tax) and Inheritance Tax.
- Last but not least: **NO REMITTANCE CONCEPT. There is no problem on paying foreign exempted income to Italy!!**

## «NEW ITA RES» REGIME - CASE 1

A foreign citizen has worked in London (as “not-dom”) for the last 30 years and **he/she is now going soon to retire**. He/she owns €30M of bankable assets held offshore; a Villa on the French Riviera; a chalet in Saint Moritz; and earns directors fees for 400k. After proper assessment and estate planning he/she moves to Italy and makes an application for the new regime purchasing an house in Milan for €3M and moves €2M to an Italian bank as “pocket money” to be invested.

The taxation would be:

- a flat lump sum of €100.000 covering any foreign sourced income, including income deriving from the €28M bankable assets.
- There is no need to move bank (e.g. US or CH) and/or the asset manager (e.g. this can easily remain based in London) and the provider of business services.
- On the Italian Real Estate there is an annual wealth tax (around 0,76% of the cadastral value). Eventual income on the bank account is going to be taxed at 26% and a wealth tax of 0,2% on bankable asset is to be paid.



## «NEW ITA RES» REGIME - CASE 2

An **entrepreneur** (e.g. Turkish) sold the entire group he founded 50/50 with his wife 30 years ago, to a private equity in 2016 and decides to move to Italy, leaving his financial asset to a foreign bank, in full compliance. He already owns a holiday villa Italy and now with his wife is going to live there as his main home. From there he want to reinvest part of his wealth on entrepreneurial activities. The sons of the couple are all well off and living out of the family. He is going to pay a €100k lump sum every year. His wife is going to pay €25k only. He is going to invest €500k on Italian start ups and this would give him the right for the “Investor Visa” (for the whole family).

On his house he will pay taxes as an ordinary Italian resident. On his/her wealth (eg. bankable assets on a foreign bank) he is not going to pay any more tax in Italy and when money is gifted to the children (e.g. with a Family Trust) no tax is due in Italy. For income related to Italy source activities he pays ordinary taxes, but for activities performed from other jurisdiction (via wise structuring) he is not going to pay more taxes in Italy (e.g. CFC is not applicable)

Regarding his assets in Turkey, he pays taxes there according to the treaties. If he wants the ordinary regime in Italy he has to opt out of the new regime for Turkey only, resulting in him receiving the tax credit for Turkish taxes, following the worldwide income principle for Italy.

- **There is no need to modify international estate planning for international clients!!** It is perfectly clear that the new regime allows the Applicant to discuss his/her international business and estate planning locally (there is no kind of “*shadow director rule*”).
- **No remittance issue:** the new regime gives total freedom in order to transfer foreign sourced income to Italy (e.g. to buy a house).
- **Full compatibility with working in Italy;** completely different from the “Swiss global regime”.
- **15 years maximum:** similar to “UK res not dom” and longer than the “Portugal regime”.
- **ITALY is a G7 / G20 country and a beautiful place to live!!**
- Italian local banking and business services are very efficient.
- ITALIAN tax burden and bureaucracy can be managed with an accurate international estate planning in **full (tax) compliance with international rules. The “New Ita Res” is treated as tax resident in Italy for CRS, FATCA and EU directives.**
- Should, for any reason, the Italian rules be changed in the future, the system allows certitude for the past and present years because of the received official tax ruling!

- **With the *Decision of the Commissioner of Italian Revenue Agency* dated March 08, 2017 (ref. 2017/47060) the Italian Tax Authority implements the provisions endorsed in Article 24-bis, paragraph 1 of Italian Consolidated Tax Code (TUIR): taxation of foreign income on lump sum basis**
- **The document clarifies there is no mandatory need of submitting a preventive tax ruling to Italian Tax Authorities in order to access the new tax regime, which remains nonetheless highly advisable to prevent potential objection on whether the requirements are met**

# LET'S GET STARTED!

**YES**

**If ruling is submitted, Italian Tax Authority must reply within 120 days (plus additional 60 days if auxiliary documentation is required) → The ruling procedure provides certainty about the condition that the law sets for the optional regime**

**NO**

**If NO ruling is submitted, the special tax regime is activated as the candidate signs the option within the ordinary term of tax return related to the specific tax year (i.e. end of June 2018 for tax year 2017)**

We advise to proceed with an assessment phase with Applicant to the new regime in order to verify the best solution for the specific case and consequently wisely plan all formalities

# REQUIREMENTS -- CHECKLIST

- On March 8, 2017 the Italian Tax Authorities approved the required “*check list*” the candidate must fulfill to access the new regime
- **The check list provides for 20 questions (yes or no)** which basically set for an understanding of main issues related to the necessary resident test “*9 out of 10 years*”.
- IN SHORT:
  - whether spouse and/or sons have been resident, domiciled or with abode in Italy;
  - whether other family relatives have been resident, domiciled or with abode in Italy;
  - whether exists stable relationships that have personal, social, cultural, political basis with other people resident in Italy;
  - whether the Applicant is within a board (e.g. director, statutory auditor or similar) of a company and/or an entity which is tax resident in Italy;
  - whether sons/daughters attend school or training courses in Italy;
  - if real estate, company participations or movable goods enrolled with the Italian public register (e.g., cars or ships) have been usually utilized for at least 90 + 1 days during each tax year;
  - if there have been formal contacts or relationships with Italian financial intermediaries;
  - further queries are related to the availability in Italy, directly or indirectly (e.g., because of fiscal interposition), of income in the last relevant years.

**A PRAGMATIC AND SOFT APPROACH TO AVOID ABUSES!!!**

- 1) **First meeting** with the candidate and his/her advisors @ one of our offices in Milan, Verona, London, Singapore or Lugano
- 2) **Assessment of the Client specific case.** We deliver an opinion related to the applicability of the new regime to current client (and family) wealth and estate planning.
- 3) **Application** in order to enroll as «**Italian New Tax Resident**»
- 4) **Advisory and Compliance** in relation to his/her Italian and foreign Assets and Income; we include tax return and one stop service for the HNWI and his/her family capitalising on our expertise about «UK res-not-dom» within our London Office in the last ten years.



***B) THE GOLDEN INVESTOR VISA RULE***

# VISA FOR INVESTORS

The legal framework of migration is amended by law and introduces a two-year special visa regime - the so called “*visa for investors*” - applicable to entry and residence in Italy for a duration of more than three months.

The new procedure is intended to attract potential investors and HNWI to Italy.

The Applicant is required to:

- A) invest at least €2 million in government bonds** (to be held for at least two years); **or**
- B) invest at least €1 million in equity instruments** in the share capital of an Italian resident and operating company (to be held for at least two years) **or invest at least €500.000 in the share capital of innovative start-ups** registered in the special section of the registry of businesses; **or**
- C) donate €1 million as philanthropic giving** in culture, education, migration management, scientific research and recovery of cultural goods.

The visa is issued by a diplomatic or consular representative.

The visa is revocable if the investment and/or donation has not been made within 3 months from the date of entry in Italy, or if the investment is disposed before the two-year expiry. **The visa allows family reunification.**

**The Applicant must provide a self-certification related to the source of the funds.**

There are ordinary compliance issues, with a specific path, for the “golden visa” regime.





***c) TAX BREAKS FOR QUALIFIED «INPATRIATES»***

## QUALIFIED WORKERS

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- This is an extension of the Ministerial Decree 26.05.2016 that provided a partial tax exemption of income for qualified work in Italy.
- **Qualified workers who move their residence to Italy** according to the Italian Income Tax Code **have - from fiscal year 2017 - a no-tax area of 50% of income from either employed or self-employed work in Italy.**
- **The Applicants can be citizens of an EU member state or a non.**
- **EU countries who signed with Italy a double tax treaty or agreement on the mutual exchange of information according to the OECD model.**
- **The benefit is applicable from the fiscal year in which the transfer of residence occurs and for the following four years thereafter.**
- **This regime can not be cumulated with the “new Italian resident” regime.**
- **The Applicant must have been a tax resident abroad during the last five years preceding the transfer and is required to live in Italy for at least two years.**
- Once in Italy, the Applicant must sign an employment contract with a resident company and **the activity shall be carried out mainly in Italy.**
- **The Applicant has to occupy a managerial role and his job should require a high level of qualifications and specialization.**
- The Applicant must have been continuously employed (or self employed) or engaged in studies (with college degree or post lauream specialization achievement) for the last twenty-four months.



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Luigi Belluzzo is a member of *STEP Advising families across generations*, he is currently the *Step Italy Chair*, and a member of *IFA International Fiscal Association*.



**WE LOOK FORWARD TO HEARING FROM YOU**

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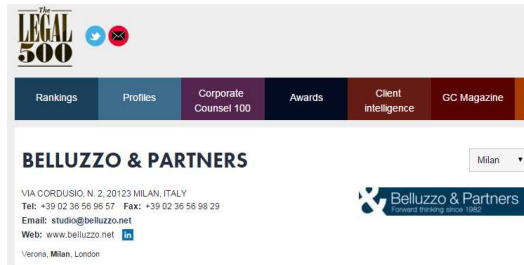
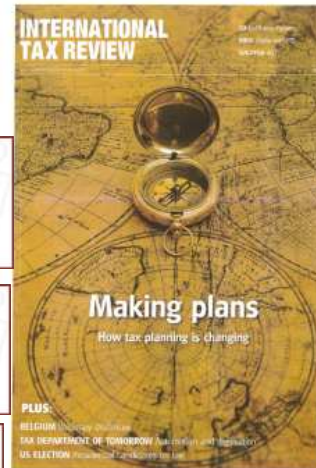
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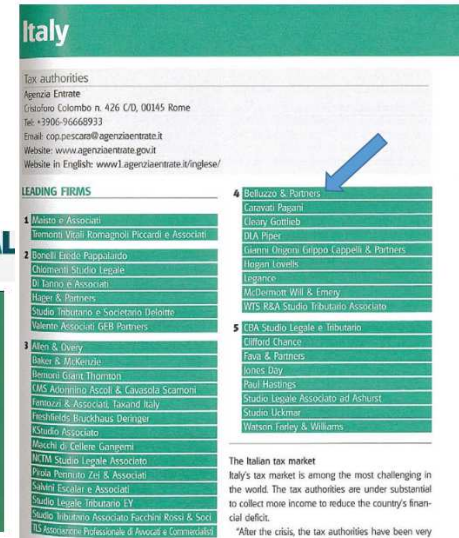
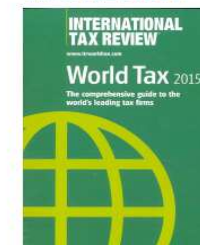
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Chambers and Partners ranks Luigi Belluzzo among Italian top professionals





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